

Risk Management

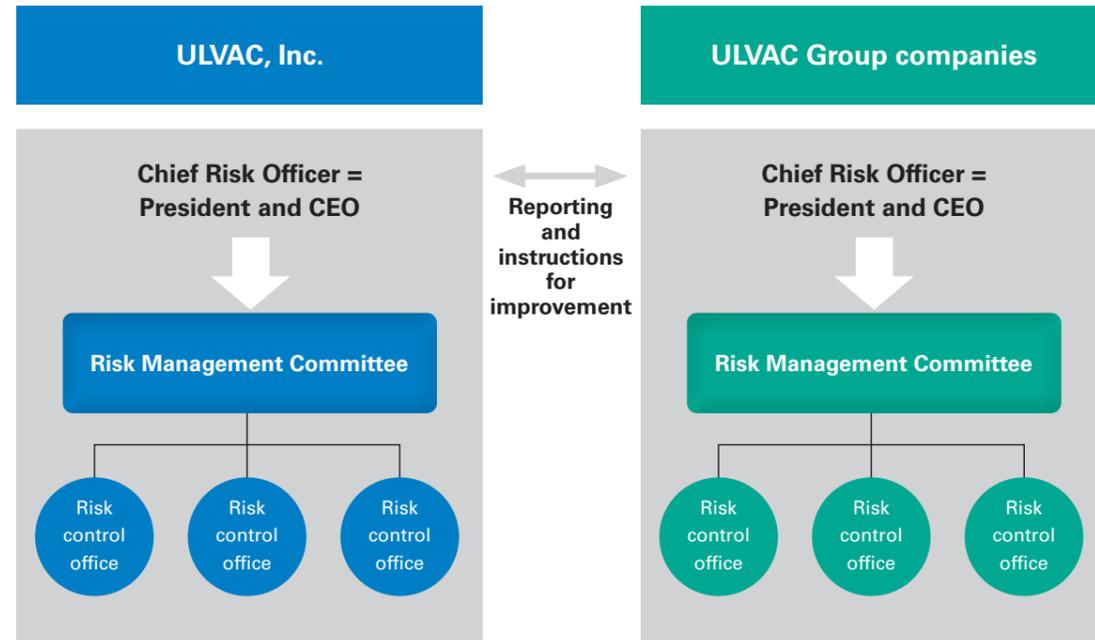
The ULVAC Group considers that responding appropriately to increasingly complex and diverse risk factors leads to the creation of governance structures that contribute to the fulfillment of legal requirements and the creation of internal control structures, and by extension, the medium- to long-term improvement of corporate value. We are expanding systems that can respond appropriately to risk factors through identification, classification, analysis, and evaluation, and we are working to increase corporate value by reflecting them in our management strategy.

Risk Management System

We have established rules concerning the risk management system, classifying a broad range of risks from various perspectives, and designated the control offices primarily responsible for risk management according to the classification of risks. Furthermore, these risk control offices identify more specific risks and respond to them. We work to ensure that these offices efficiently gather information that is important for operating the risk management system. In addition, in order to share and evaluate information concerning the operation of the risk management system on a company-wide basis, we have a Risk Management Committee, which is chaired by the

president, and mainly comprises representatives of the risk control offices with primary responsibility for risk management. The Risk Management Committee holds regular meetings as an umbrella organization for risk management, and it determines company-wide basic policies, monitors the state of management and administration, and considers any improvements that can be made, etc. Furthermore, initiatives at ULVAC, Inc. are implemented at ULVAC Group companies as appropriate for the scale and business type of the company in question.

Risk Management System



- Risk control offices are designated according to risk classifications and they implement risk management through a PDCA cycle.
- Each Group company decides whether it is necessary to establish a Risk Management Committee in consideration of the size of the company in question and other factors.

Management of Risks

Principal risks are identified that may have a significant impact on financial position, business results, and cash flows and are described below. ULVAC examines measures to reduce these risks and utilize them as opportunities through discussion at a decision-making body such as the Board of Executive Officers.

Market Fluctuation

We have acquired our market share and achieved growth by developing unique technologies and introducing them in the field of vacuum equipment used, in particular, in FPD, semiconductor, and electronic device production processes. On the other hand, if a great reduction in capital investment occurs or customers' financial conditions deteriorate owing to change in the market conditions of FPD manufacturers, or semiconductor and electronic device manufacturers, who are the Group's customers, the Group's business results and financial position may be adversely affected.

In this regard, in the current mid-term management plan launched in July 2020, the Group set a twofold basic policy: "investment in development for growth (selection and concentration)" and "profit-oriented management through structural change." Under the basic policy, even in the case of market fluctuation, ULVAC aims to improve profitability by enhancing productivity and achieve sustainable growth by focusing on development in growth fields. Our diverse products are used in a wide range of fields. We will enhance our ability to respond to market fluctuations by building a stable revenue base, centering on the semiconductor and electronic component fields.

Research and Development

By maintaining vigorous R&D investment, we have continued to introduce a stream of new products that incorporate the latest technologies. However, if development is significantly delayed for a compelling reason, resulting in delay in introduction of new products to the market, the Group's business results and financial position may be adversely affected.

ULVAC is accelerating development, which is necessary for growth, through selection and concentration of investment. At the same time, periodic monitoring is implemented for progress management in order to prevent significant delay in development.

Global Competitive Environment

We operate business globally and provide products to customers in various countries and regions, but competitors also operate globally, and it is a competitive environment with new entrants. In such an environment, competition is intensifying not only in terms of product performance but also price, and the ULVAC Group's business results and financial position may be adversely affected. The Group is striving to maintain competitiveness by sharing its technology and product roadmap with customers and launching products using cutting-edge technologies at the appropriate time.

Supply Chain

The Group's business results and financial position may be adversely affected if prices of parts soar or supply delays occur due to tight supply and demand for parts used to manufacture products or if production activities are halted or delayed due to supply chain disruptions caused by a large-scale disaster and other incidents.

The Group strives to secure necessary parts by establishing systems for cooperation with suppliers and arranging for parts at an early stage.

Major Risks That May Have Significant Impacts on Business

- 1 Fluctuations in FPD, semiconductor, and electronic device markets
- 2 Delays in research and development
- 3 Intensifying global competition
- 4 Continuous securing of human resources
- 5 Tight supply and demand for parts in the supply chain
- 6 Violation of laws and regulations
- 7 Quality defects
- 8 Securing of funds by borrowing, etc.
- 9 Leakage of confidential information
- 10 Sharp currency fluctuations
- 11 Infringement of intellectual property rights
- 12 Occurrence of safety-related accidents
- 13 Violation of environmental regulations
- 14 Spread of COVID-19

Compliance

We emphasize not only compliance with laws and regulations but also compliance with internal codes and ethical codes. As well as conducting awareness-raising activities so that each person in the ULVAC Group acts with a spirit of compliance, we have established and are operating a range of institutions and regulations to ensure thorough compliance.

Corporate Code of Conduct

In order to further promote fair and highly transparent corporate management, ULVAC has established a Corporate Code of Conduct comprising 18 items, conducted education, and distributed booklets to inculcate a culture of compliance. The Corporate Code of Conduct includes this statement: "ULVAC's officers and employees shall always pay attention to social trends, enhance their own sense of ethics, and act sensibly with the awareness that they are members of ULVAC as well as of society." We use this Corporate Code of Conduct as guidelines for asking ourselves whether our business conduct is "in the best interest of our customers," "correct in light of laws and social ethics," and "does not infringe human rights."



Corporate Code of Conduct

- 1 Excellent Products, Services, and Safety
- 2 Sound, Corporate Association with Business Partners and Affiliated Companies
- 3 Promotion of Maintenance of Fair and Free Competition
- 4 Protection of Intellectual Property Rights
- 5 Corporate Secrets
- 6 Client Information
- 7 Respect for Employees' Personality and Individuality
- 8 Respect for Privacy
- 9 Respect for Human Rights and Nondiscriminatory Treatment
- 10 Assurance of Safe and Healthy Work Environment
- 11 Compliance with Laws or Ordinances
- 12 Insulation from Antisocial Forces
- 13 Disclosure of Information
- 14 Global Environmental Protection
- 15 Local Contribution
- 16 Global Business Activities
- 17 Thorough Implementation of Corporate Ethics
- 18 Pronouncements by Individuals

Compliance Education

Amid a changing social environment, we conduct periodic or ad hoc company-wide education on compliance, prevention of insider trading, prevention of harassment, prevention of misconduct in research activities, etc., to raise awareness not only in terms of knowledge but also to enable our employees to act appropriately.

Whistleblowing System

In addition to a whistleblowing system operated via the Manager of the Internal Auditing Department for which independence is secured in accordance with the Whistleblower Protection Act, we have also established an external whistleblowing contact. The Manager of the Internal Auditing Department also serves as the secretariat for the Compliance Committee, and the system is structured such that confidentiality is ensured throughout the process of investigating the content of reports. By putting in place a whistleblowing system that allows whistleblowers to feel secure in their reporting, we aim to detect any misconduct early and take appropriate corrective action.

After a whistleblower report has been received, the initial response is for the Compliance Committee of ULVAC, Inc. to conduct an investigation in order to establish the facts. This investigation is particularly mindful of fairness, and is conducted judiciously and thoroughly. If necessary, assistance may be sought from external experts, and thorough interviews that are as wide-ranging as necessary are conducted and analyzed.

The president chairs the Compliance Committee and the members of the Committee observe a strict duty of confidentiality in carrying out their duties.

Handling of Violations

In the event that, based on the results of an investigation by the Compliance Committee, it is deemed that a violation of laws or regulations has been committed, then the opinion of an external expert, such as a lawyer, may be sought as necessary, steps will be taken to ensure that the violation ceases with immediate effect and improvement measures will be implemented, and those involved in the violation will be dealt with after deliberation by the appropriate bodies. In addition, the root causes of the violation are also investigated in order to formulate effective measures for preventing recurrence.

Human Rights

We believe that consideration for human rights is an important management issue in the context of further global business development. We support international norms and are strengthening promotion of the protection of and respect for human rights. Moreover, we respect fundamental human rights based on the laws and regulations of each country and region.

Approach to Human Rights

ULVAC has been a signatory to the United Nations Global Compact, which is a global initiative, and is promoting initiatives in the areas of human rights, labor, environment and anti-corruption based on "The Ten Principles of the UN Global Compact" that are universal principles to be adhered to by companies in these four areas.

ULVAC has established the Corporate Code of Conduct as guidelines for all officers and employees to keep in mind so as to ensure their work does not infringe human rights. In response to recent changes in awareness and issues regarding human rights in the international community, ULVAC has formulated the ULVAC Human Rights Policy based on international norms. As a company that conducts business globally, ULVAC will, in accordance with this policy, promote business activities that respect human rights more than ever before, based on a clear and common understanding of how human rights should be respected in business activities.

Corporate Code of Conduct (Excerpt)

7. Respect for Employees' Personality and Individuality
Based on the respect for personality and the individuality of each of our employees, ULVAC will make an effort to upgrade and maintain the personnel system, labor conditions, and the fluid system wherein workers may achieve affluence and a sense of accomplishment. Also, we will evaluate personnel objectively and fairly, fostering creative human resources with expertise and rich individuality at the same time.
9. Respect for Human Rights and Nondiscriminatory Treatment
ULVAC will assure a healthy work environment where both harassment and discrimination are never acceptable for reasons of race, credo, complexion, sex, religion, nationality, language, bodily features and description, handicap or not, location or birthplace and sexuality. Also ULVAC will take no involvement in forced labor and child labor. ULVAC will especially strive to prevent sexual harassment, coercion, abuse, or harassing behavior by taking advantage of workplace authority and job function (harassment through official authority). In the event of such a problem, we will immediately and promptly start an investigation to take resolute action for relief of the victim and prevention of a recurrence.
11. Compliance with Laws or Ordinances
⑤ Law on Occupational Health
With the cooperation of all employees, ULVAC will perform health and safety activity through risk assessment and will ensure compliance to the occupational safety and health related laws and ULVAC occupational health and safety relevant provisions. ULVAC will provide safe products and services to users implementing product risk assessment and ensure compliance to various safety standards.

[For details](#) Website > Sustainability > Human Rights

Approach to Human Rights

The Corporate Code of Conduct specifies policies on respecting the personality and individuality of employees. In accordance with the Corporate Code of Conduct and the Basic Policy for Human Resources Development, we are striving to create workplaces

offering job satisfaction. Furthermore, we are also striving to provide safe products and services to customers by engaging in safety and health activities based on laws and regulations, complying with safety standards and performing risk assessment of our products.

Reporting and Consultation Desk for Human Rights Issues

We have adopted a whistleblowing system operated via the Manager of the Internal Auditing Department for which independence is secured.

The Compliance Committee will implement appropriate measures with adequate consideration for confidentiality, anonymity and protection of whistleblowers, and strive to promptly resolve issues and prevent their recurrence.

Freedom of Association

ULVAC has concluded labor agreements with labor unions and promised to sincerely work together with them to adhere to these agreements in order to establish and develop labor-management relations based on mutual faith and trust. Furthermore, we engage in close dialogue with labor unions on management plans and measures, in addition to labor conditions.

Supply Chain Initiatives

We endeavor to comply with the RBA Code of Conduct, which is a CSR promotion group focused on the electronics industry. In addition to implementing, evaluating and correcting self-evaluations and thoroughly managing labor hours at major production bases, we request business partners to work with us on these initiatives. We conducted questionnaire surveys mainly for major business partners and have incorporated the questionnaire items into the evaluation at the time of periodic renewal. Furthermore, we have established a policy on the handling of conflict minerals and conduct due diligence.

Due Diligence on Human Rights

We have incorporated international norms into the ULVAC Human Rights Policy and have established human rights due diligence processes according to the procedures corresponding to the international norms. We are making an effort to further strengthen relief mechanisms by recognizing, preventing, and addressing negative effects that may have on human rights through business activities.